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EDIC/M-10
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7 June 1955

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ECONOMIC DEFENSE INTELLIGENCE COMMITTEE

Minutes of 10th Meeting

10:15 - 12:15, 2 June 1955

PRESENT

25X1A9a [REDACTED] CIA, Acting Chairman
25X1A9a [REDACTED] CIA, Executive Secretary
25X1A9a [REDACTED] CIA
Lt. Col. Brown, OSD
Mr. Hamilton, AFOIN
Mr. Reiss, Commerce
Mr. Herman, Commerce
Mr. Shavell, Commerce
Mr. Martin, State/MC
Miss Worthing, State/OIR
Mrs. Rade, State/OIR
Mrs. Young, State/ECD
Miss Baldwin, FOA
Mr. Tilson, FOA/MDAC
Miss Lincoln, FOA/MDAC

REPORT ON PENDING CASES:

PATTERN OF SOVIET BLOC STRATEGIC EXPORTS TO THE WEST (EDIC CASE 10)

1. Discussion - EDIC/ID-13 of 27 April 1955, "Exports of Capital Equipment and Industrial Materials from the Soviet Bloc" had been transmitted to EDIC members with a request for "comment and incorporation of other examples including additional information compiled by CIA." The Commerce and FOA members indicated that they will provide additional material.

2. Action - When all comments have been received the paper will be forwarded to the Executive Committee with a request that they determine whether or not additional study would be useful.

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INTELLIGENCE ON TRADE IN DECONTROLLED COMMODITIES (EDIC CASE 9)

3. Discussion - The OSD member reported that preliminary work had been undertaken in Defense in connection with the list of "Manufacturers of Deleted Items" provided by Commerce and that G-2 will be requested to follow through on this project. Note: Commerce has provided OSD with a supplemental memorandum dated 1 June on "Manufacturers of Deleted Item 1110 - Gas liquefying equipment."

INFORMATION ON FIRMS REPORTEDLY PURCHASING AND OPERATING SHIPS FOR COMMUNIST CHINA (EDIC CASE 6)

4. Action - State/ECD has requested information on the activities of two firms allegedly operating on behalf of the Chinese Communists: a) John Manners and Co. and Southern Commercial Co., both of Hong Kong, and, b) Far East Enterprising Co. Ltd., Hong Kong. [REDACTED] reported 25X1A9a that work has been undertaken, in collaboration with ONI, to provide the desired information. It is anticipated that a report will be transmitted for EDIC review by 10 June.

PENDING BLOC SHIPBUILDING ORDERS (EDIC CASE 5)

25X1A9a 5. Discussion [REDACTED] reported on this case which was introduced as an Intelligence Request by MDAC and State/ECD at the meeting of 28 April. He indicated that a shortage of personnel has delayed production of desired information which will be used by EDAC in its consideration of current COCOM merchant shipping control proposals. It is planned to have the report ready for submission to EDIC no later than 13 June.

25X1C8c

[REDACTED] INFORMATION ON CHINA
TRADE (EDIC CASE 4)

25X1A2g

25X1C8c

6. Discussion - The OIR member informed the Committee that the questions raised in [REDACTED] of 14 February 1955 were not included in the recent conversations with [REDACTED] OIR feels that further attempts should be made through USRO channels to accommodate his request for an exchange of information.

7. Action - The Committee agreed that disposition of this case would be deferred pending completion of the EIC R-1, S-4 exercise.

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SOVIET TRADE TRENDS AND TACTICS: SOVIET BLOC EXPORTATION OF PETROLEUM
(EDIC CASE 3)

8. Discussion - Miss Lincoln referred to an early MDAC request (Intelligence Request No. 3 of 8 December 1954) in which EDIC had been asked to provide the Executive Committee with an up-to-date version of OIR Intelligence Report No. 6714, "Soviet Bloc Trade Trends and Tactics in Petroleum" (and other referenced documents) to emphasize the Soviet trade policy and tactics aspects of petroleum sales and offers. She indicated that EDIC had not yet furnished such a paper in form for release to COCOM. The OIR member explained that State had objected to such a paper being submitted to COCOM and that, although the report had been approved originally by OIR for release to COCOM, it was now outdated. The Acting Chairman noted that certain comments of other agencies had been provided to Mr. Gordon Tiger, State, and he understood that IR 6714 had been put in form for COCOM use.

9. Note: For information, the following is a record of this case - At the IWG meeting of 5 August, MDAC requested IWG assistance in preparation of a paper "emphasizing the trade tactics aspect of Soviet petroleum offers." This request was considered at EDIC meetings of 4 November, and 9 and 21 December. EDIC/AM-3, "Statement of EDIC Action on Current Requests", distributed on 21 December, indicated that EDIC comments on IR 6714 had been forwarded to OIR. At that meeting the OIR member explained "that no additional OIR work is anticipated on this paper, prepared in response to an MDAC request, since it had been approved in its present form by the requester." (Note: MDAC does not concur in this statement in the Minutes - ref: EDIC/M-4). The Executive Secretary forwarded G-2 comments to the OIR member by memorandum of 16 December 1954; G-2 and FOA comments, and a CIA contribution on "Soviet Bloc Potential to Export Petroleum in 1955" were forwarded by memorandum of 25 March 1955 to Mr. Gordon Tiger, State/OIR for use in revision of IR 6714.

10. Action - The OIR and MDAC members were requested to arrange necessary coordination for final disposition of this paper.

CONSIDERATION OF INTELLIGENCE REQUESTS:

EXPORT OF ORTHO-TOLUIDINE TO COMMUNIST CHINA

11. Discussion - BFC/Commerce requests (EDIC IR No. 7 of 1 June 1955) information on whether this commodity, presently unrated, is being used by the Chinese Communists for an avgas additive in view of heavy movements from Europe to the Communist mainland.

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12. Action - EDIC accepted this request which will be transmitted to CIA, AFOIN and ONI for preparation of a report.

SOVIET BLOC USE OF BORAX PRODUCTS (BORIC ACID AND BORATES - I/L 3725)
FOR ROCKET FUEL AND OTHER JET PLANE APPLICATION

13. Discussion - BFC/Commerce and JOC have requested (EDIC IR No. 8) information to be used in determining whether the strategic rating of these commodities should be raised in view of their highly strategic application and strenuous Soviet bloc efforts to obtain them from the Free World.

25X1A9a 14. [REDACTED] reported that at the ²⁶25 May meeting of JOC the Chairman of that Committee had recommended application of PD 810 to borax. FOA, MDAC, and State had reserved their positions, emphasizing that, before undertaking any bilateral negotiations, the USDEL should ^{be} first notify COCOM that the U.S. would seek to obtain a higher strategic rating for this commodity. To support the USDEL and for use in bilateral negotiations, EDIC has been requested to provide additional information in its revision of IWG/ID-15 (see Action, below).

instructed

25X1A9a 15. [REDACTED] informed the Committee that: a) available intelligence indicates the bloc to be the equal of the U.S. in research on the military application of this commodity group; b) little is known on actual Soviet military uses of borax; c) the U.S. has moved from research to actual military use of this item; and, d) an effort is being made to guarantee sources to satisfy U.S. requirements which are not considered adequate even though 98 percent of known world production occurs in this country.

16. Action - It was agreed that the request would be accepted as an EDIC case and that an earlier paper, IWG/ID-15 on "Indications of Soviet Bloc Vulnerability to Controls of West-East Movement of Boron Compounds" would be updated and expanded in time to meet BFC and JOC requirements. CIA will assume responsibility for preparation of this paper.

IMPACT OF FREE-WORLD TRADE CONTROLS ON THE SINO-SOVIET BLOC

17. Discussion - EDIC IR No. 11, submitted by OSD, requested that EDIC undertake to furnish information on: a) "the effects of varying degrees of security trade controls on the Communist Bloc (and Communist China) as a source of internal economic strain and political disunity within the Communist Bloc" and b) "the extent to which the economic effects or impact of the security trade program of the free world would affect the political stability of separate Communist regimes and the political unity of the Communist Bloc as a whole."

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18. The Acting Chairman declared that sufficient time is not available for EDIC to produce a study of this magnitude, and that it would be presumptuous for EDIC to arrive at different conclusions than those already reached at the IAC level in National Intelligence Estimates (which all have arrived at generally the same conclusion regarding impact of controls). He indicated it was unfortunate that this request was submitted at the eleventh hour insofar as the Dodge Council deadline of 30 June is concerned.

25X1X7

19. The Acting Chairman referred to an earlier paper - ED/EC D-37/4 of 20 November 1953 on "Background and Position Paper for [REDACTED] November 1953--Impact of Controls on Sovbloc". He suggested that the OSD request could be approached on either an aggregative basis as used in the NIE's or through a compilation of specific examples as found in the referenced paper. However, time does not permit new research, using either of these methods. The OSD member was advised that a list of pertinent papers including contributions to NIE's and the NIE's themselves as well as background research material, probably could be made available to Defense.

20. The OSD member declared that his Office is anxious to have EDIC undertake this project and that the Defense representatives on the Dodge Council working group had not been satisfied with work done on this aspect so far. He observed that OSD would welcome a State contribution covering the political aspects of the subject. He requested that the Minutes reflect the judgment of the Committee and its reluctance to undertake this project.

21. Action - The Committee agreed that the OSD request should not be undertaken. The OSD member was requested to confirm whether his Office desired a list of pertinent background papers on this subject.

OTHER INTELLIGENCE MATTERS

Cancellation of IWG Case 56 - Proposed Study of Soviet Trade Activities and Tactics in Non-COCOM Areas

22. The Executive Secretary explained, and the OIR member confirmed, that the requirements of this proposed case had been satisfied by a series of OIR and CIA papers. He observed, also, that two related EDIC cases, designed to provide current information in this field, are now pending. The Committee approved cancellation of this case.

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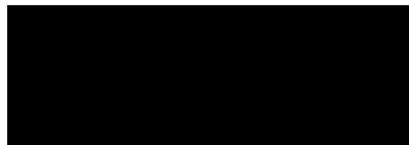
Status Report on Downgrading of CG/COCOM/CHINCOM Documents

23. Examples of a CIA memorandum of 27 May 1955 which transmitted the "CIA Position on Downgrading of CG/COCOM/CHINCOM Documents," with lists of those documents which must retain a SECRET classification, was circulated. The Acting Chairman commended the Executive Secretary for his diligence in completing this review of more than 3,000 documents, an undertaking which saved a heavy expenditure of manhours by other EDAC agencies.

Discontinuation of EDIC Distribution of OIR Reports

24. The Executive Secretary suggested that he discontinue such distribution since members were receiving duplicate copies from State and the Executive Secretary, EDAC. The Acting Chairman recalled that it had been agreed earlier that OIR papers produced to meet MDAC needs would be submitted for EDIC comment. He suggested that MDAC and the Executive Committee be asked to levy requests on EDIC in those instances when comments on OIR papers are desired. Members agreed to this new procedure and to the discontinuation of routine EDIC distribution of OIR reports.

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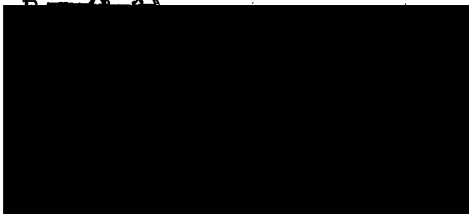
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